

GUESTLOGIX INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 29, 2008

The following is a discussion and analysis of the interim unaudited consolidated financial position, results of operations and cash flows of GuestLogix Inc. for the three-month period ended February 29, 2008 and should be read in conjunction with the discussion and analysis of the financial position, results of operations and cash flows for the year ended November 30, 2007 along with the financial statements for such period and accompanying notes. The effective date of management's discussion and analysis ('MD&A') is April 7, 2008. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. References herein to "GuestLogix", "the Company", "we" and "our" mean GuestLogix Inc.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning GuestLogix' future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of GuestLogix are preceded by, followed by or include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "forecasts," or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section of the filing statement the Company filed with regulatory authorities on July 24, 2007. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond GuestLogix' control. Although GuestLogix believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. GuestLogix has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

Overview

Quarter highlights and summary

- Revenue was \$1,403,857 for the three-months ended February 29, 2008, compared to \$671,452 for the three-months ended February 28, 2007;
- Loss from operations was \$467,885 for the three-months ended February 29, 2008, compared to \$118,410 for the three-months ended February 28, 2007;
- EBITDA was \$8,774 for the three-months ended February 29, 2008, compared to \$188,480 for the three-months ended February 28, 2007.
- Net loss was \$540,904 for the three-months ended February 29, 2008, compared to a net loss of \$813,668 for the three-months ended February 28, 2007; and
- GuestLogix' cash and cash equivalents totaled \$3,777,945 as at February 29, 2008.

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a financial metric used by many investors to evaluate companies in this industry on the basis of operating results and the ability to incur and service debt. EBITDA does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The disclosure of EBITDA is not intended to replace, but only augment, the discussion of financial results from operations or cash flows.

GuestLogix' business

GuestLogix sells integrated transaction-based on-board retail solutions for the passenger travel industry. Its products and services are designed to help its clients build new and profitable revenue opportunities from their customers. GuestLogix' present customers and targeted customer base within the passenger travel industry is worldwide.

In July 2007, the Company incorporated a wholly-owned subsidiary, GuestLogix CCS Inc. ('CCS'), and transferred certain assets to CCS pursuant to a Section 85 rollover, including certain customer contracts related to the use of the Company's software.

Reverse takeover

On August 1, 2007 GuestLogix and its principal shareholders entered into a reverse takeover of Growthgen Equity II Inc. ('Growthgen') wherein all of the issued and outstanding shares of GuestLogix were sold, by way of share exchange, to Growthgen (the 'RTO'). Holders of issued and outstanding common shares of GuestLogix received 3.94 shares of Growthgen for each GuestLogix share held.

At the time of closing, GuestLogix had 7,242,109 shares outstanding which upon conversion into Growthgen shares resulted in a total of 28,533,910 shares being issued to previously existing GuestLogix shareholders. Immediately following the amalgamation, subscription receipts which were issued in relation to a GuestLogix financing under

which gross proceeds of \$9,000,040 were raised in May 2007 were automatically exercised and the holders thereof received an aggregate of 12,857,200 common shares. In addition, the outstanding principal amount outstanding of \$728,287 under 12% convertible debentures issued by GuestLogix between August 17, 2006 and October 2, 2006 was converted into 1,235,911 common shares, and an additional 79,194 common shares were issued in satisfaction of fees owed by GuestLogix to a service provider, for a total of 42,706,215 common shares issued in the RTO.

Upon completion of the RTO, there were 44,372,882 common shares outstanding of Growthgen, which was renamed GuestLogix Inc.

Growthgen was a non-operating public enterprise and did not meet the definition of a business under the CICA Handbook EIC-124; therefore, the reverse takeover transaction did not constitute a business combination under the provisions of EIC-10. Accordingly, the transaction has been accounted for as a capital transaction rather than a business combination. The net assets acquired at fair value August 1, 2007 are as follows:

<hr/>	
Asset	
Cash	\$100,046
Less: liabilities assumed	-
<hr/>	
Total consideration attributable to Growthgen	\$100,046
<hr/>	
Represented by 1,666,667 Growthgen shares	\$100,046
<hr/>	

Critical Accounting Policies and Estimates

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ('Canadian GAAP'), and include the accounts of the Company and its wholly-owned subsidiary GuestLogix CCS Inc. All significant intercompany transactions have been eliminated.

Revenue recognition

The Company's largest source of revenue derives from arrangements with multiple deliverables. When a customer order contains multiple items such as hardware, software, hosting and services, which are delivered at varying times, the Company determines whether the delivered items can be considered separate units of accounting in accordance with Emerging Issues Committee Abstract 142, Revenue Arrangements with Multiple Deliverables ('EIC 142'). EIC 142 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis; there is objective and reliable evidence of the fair value of undelivered items; the arrangement includes a general right of return relative to the delivered items; and, delivery of undelivered items is probable and substantially in the vendor's control.

If the vendor is able to establish fair value for all elements of the arrangement, revenue is allocated and recognized on each element separately in accordance with the appropriate revenue recognition convention for a given unit of accounting. However, if fair value cannot be established or if the delivered items do not have stand-alone value to the customer without additional services being provided, the vendor recognizes revenue on the items as a whole.

Management has determined that the deliverables in these arrangements do not have value to its customers on a stand-alone basis. In addition, vendor-specific and entity-specific objective evidence, as defined by EIC 142, of the fair values of the items with multiple deliverables is not available as the items generally are not sold separately by the Company, nor are there comparable vendors for these products in the marketplace. As a consequence, the provisions of EIC 142 do not apply to these arrangements.

To account for revenues and related expenses under these arrangements, the Company employs sales-type lease accounting as follows. The Company sells products to certain customers under terms that approximate sales-type lease arrangements, with GuestLogix as the lessor, for terms that range from two to five years. GuestLogix accounts for revenue under its sales-type leases in accordance with CICA Handbook section 3065, *Leases*, and recognizes current and long-term lease receivables on the accompanying consolidated balance sheets as net finance receivable. The present value of all minimum lease payments and the associated interest are recognized as revenue on a monthly basis over the term of the respective arrangements, using the discount rate implicit in each lease. Due to the lack of available objective evidence of fair values, the Company defers recognition of the revenues from these leases and recognizes revenues on a monthly basis when undelivered elements existing at each agreement's outset, such as transaction fees and monthly services, are delivered and payments are due. Amortization of the corresponding capital assets deployed related to the sales-type lease arrangements is charged to amortization expense over the initial term of the respective arrangements.

The Company recognizes revenue from the sale of hardware and parts in accordance with Emerging Issues Committee Abstract 141, *Revenue Recognition*, (EIC 141), when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collection is reasonably assured.

GuestLogix also earns revenues from professional services and software hosting and support services. Where the arrangement is based on an hourly rate, the fair value of the professional services is recognized as the services are performed, based on the agreed hourly rate. Revenue from a fixed price professional services contract is recognized on a proportional performance basis, which requires GuestLogix to make estimates and is subject to the risks and uncertainties inherent in projecting future events. A number of internal and external factors can influence estimates, including the nature of the services being performed, the complexity of the customer's environment and the utilization and efficiency of the GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when the Company

receives final acceptance from the customer. Revenues from software hosting and support services are recognized as in accordance with EIC 141, when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collection is reasonably assured. GuestLogix recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

GuestLogix makes estimates as to the probability of collecting the related accounts receivable balance on a customer-by-customer basis. In cases where collectibility is not deemed probable, revenue is recognized when payments come due or upon the receipt of cash, depending on the circumstances and assuming all other criteria have been met.

Research and development expenses

Research costs are expensed as incurred. Costs related to the design and development of software solutions are expensed as incurred unless they meet the criteria, under Canadian GAAP, for deferral and amortization. No development costs have been deferred to date. Research and development costs are recorded net of investment tax credits, where applicable.

Investment tax credits

The Company is entitled to federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. The Company, while it was a Canadian Controlled Private Corporation, recorded the benefit of refundable investment tax credits when the qualifying expenditures had been incurred and there was reasonable assurance as to their collection. Investment tax credits are recorded as a reduction of the related expenditure for items of a current nature and a reduction of the related capital asset for items of a long-term nature. Upon the amalgamation of Growthgen and GuestLogix on August 1, 2007, the Company is no longer entitled to claim refundable investment tax credits against its future eligible research and development expenditures. These amounts are available to reduce taxes payable in future periods.

The claims are subject to review by the Canada revenue Agency ('CRA')

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	5 years

Capital assets deployed

Assets that are deployed for use by customers are recorded at cost. Amortization is provided on a straight-line basis over the initial term of the respective arrangements.

Foreign currency translation

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses are included in the statement of operations.

Income taxes

The Company provides for income taxes under the asset and liability method. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Deferred revenue

Deferred revenue comprises lease and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions. In these situations, it is deemed that the Company has entered into a sales-type lease and a lease receivable is recorded. Deferred revenue is recognized as income on a monthly basis over the initial term of the respective arrangements, using the discount rate implicit in each lease.

Deferred services revenue occurs where significant obligations have yet to be satisfied and where payments have been received from customers in advance of the services performed.

Stock-based compensation

The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to its stock option. Compensation expense is recognized for stock options based on the fair value of the options at the grant date. Currently the fair value of the options is recognized over the vesting period of the options as stock based compensation expense as a separate line item on the consolidated statement of operations. If the stock options are exercised, the proceeds received are credited to common shares.

The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, expected time until exercise and risk free interest rates. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur.

Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside the Company's control. If other assumptions are used, stock-based compensation could be significantly impacted.

Growth Strategy and Future Outlook

GuestLogix' growth opportunity is due in large part to the following four converging factors:

- The passenger travel industry is facing a number of economic challenges that are forcing them to seek alternative revenue sources to enhance their profitability. Passenger tickets are becoming commoditized thereby restricting seat prices. Fuel costs are increasing and are expected to stay at current or even higher prices in the foreseeable future. Low-cost carriers have driven a significant and new emphasis on 'ancillary revenues' which has led to a strong drive towards implementing profitable on-board retail programs. In addition, competition from airline low-cost carriers may lead the rail and ferry sectors to adopt the on-board retail model in order to increase revenues.
- Mobile, hand-held device technology has matured to the point where industrial, ruggedized hand-held devices are now at a price point that can economically enable payment transactions to be captured in an 'on-board environment' and sent via wireless transmission for post-arrival clearing and settlement. GuestLogix is uniquely positioned to also be the solutions platform of choice when the next technology solution commonly referred to as "back of the seat" screens are more widely adopted within the passenger travel industry.
- GuestLogix has continued to make investments in its core software and today offers a complete and fully ready solution for on-board retail. In addition, GuestLogix has a transaction-based or 'utility model' go-to-market strategy, which enables a recurring revenue stream via a transaction based fee for every on-board sales transaction without the need for the customer to make a capital intensive investment in hardware and software.
- GuestLogix has established distribution channels and key partnerships with some of the most significant players within the passenger travel industry. Management believes these channels and partnerships will enable GuestLogix to extend its reach to all geographies and to each of the three key sectors for on-board retail: airlines, rail and ferries. In order to build channel partner relationships and reach end customers, GuestLogix attends trade shows, advertises in trade publications and speaks at industry events. GuestLogix may also pursue selective acquisitions to further its growth.

There are no assurances that GuestLogix will achieve profitability, as the Company has not earned operating profits and may incur further significant operating losses.

Results of Operations

The table below sets out the statement of operations for the three-months ended February 29, 2008 and February 28, 2007:

	Three-months ended	
	February 29 and 28,	
	2008	2007
	(unaudited)	(unaudited)
Statement of Operations Data:		
Revenue	\$1,403,857	\$671,452
Expenses:		
Cost of equipment sales	143,859	-
Research and development	78,793	154,960
Sales and marketing	286,374	139,042
General and administrative	833,371	180,103
Stock based compensation	52,686	8,867
Amortization of capital assets deployed	473,734	306,890
Amortization of property and equipment	2,925	-
	1,871,742	789,862
Loss from operations	(467,885)	(118,410)
Other income	-	15,544
Foreign exchange gain (loss)	22,255	(52,046)
Interest income	64,345	14,001
Interest expense	(66,760)	(122,731)
Interest accretion expense	(92,859)	(550,026)
	(73,019)	(695,258)
Net loss for the period	\$(540,904)	\$(813,668)

Supplementary Financial Data

Loss per share	\$(0.01)	\$(0.03)
Weighted average number of shares outstanding	47,858,556	27,668,752

Balance Sheet Data:

Cash and cash equivalents, excluding restricted cash	\$3,777,945	\$15,846
Working capital	\$2,239,074	\$(2,744,608)
Total assets	\$13,898,676	\$7,315,144
Long-term liabilities, excluding current portion	\$2,956,243	\$2,579,872
Total shareholders' equity	\$6,323,537	\$50,430

Comparison of the Three-month Periods Ended February 29, 2008 and February 28, 2007

Revenue

For the three-month periods ended February 29, 2008 and February 28, 2007, revenue was \$1,403,857 and \$671,452 respectively, representing growth of 109%. GuestLogix completed the deployment of a major North American contract on February 1, 2008. The growth in revenues for the three-month period ended February 29, 2008 was a result of earning revenues from a significantly larger deployed customer base; with 11 revenue-producing clients in the three-months ended February 29, 2008 versus six in the three-month period ended February 28, 2007. Recurring revenues from clients accounted for 100% of revenues for the three-month period ended February 29, 2008; the same percentage as for the three-month period ended February 28, 2007.

Operating expenses

Cost of equipment sales was \$143,859 for the three-month period ended February 29, 2008. There were no equipment sales made in the three-month period ended February 28, 2007.

Research and development expense in the three-months ended February 29, 2008 decreased 49.2% to \$78,793 compared to \$154,960 in the three-months ended February 28, 2007. The decrease in research and development costs is a function of the maturity of the product and the emphasis on sales and the deployment of the software platform to the field.

Sales and marketing expense in the three-months ended February 29, 2008, increased by 106.0% to \$286,374 compared to \$139,042 in the three-months ended February 28, 2007. Sales and marketing costs consist primarily of personnel and related costs associated with the ongoing sales and marketing functions associated with securing and managing relationships with domestic and international customers. The majority of the increase in sales and marketing expenses is accounted for by additional personnel added during fiscal 2007, as well as increased travel costs and conference activity in the first three-months of fiscal 2008.

General and administrative expenses during the three-months ended February 29, 2008 increased by 362.7% to \$833,371, compared to \$180,103 in the three-months ended February 28, 2007. GuestLogix continues to grow very rapidly which has been accompanied by additional headcount and associated personnel costs, particularly in the deployment and support areas. Many of the additional staffs were added during the latter part of fiscal 2007 and into the first quarter of 2008, with headcount standing at 38 at February 29, 2008. This compares to a headcount of 32 at November 30, 2007 and a headcount of 12 at February 28, 2007. Costs related to deployment, hosting and support were \$467,174 for the three-months ended February 29, 2008, compared to \$146,594 for the three-month period ended February 28, 2007. Other costs included in general and administrative expenses are personnel and related costs associated with GuestLogix' senior management, administrative, legal and finance functions, as well as professional

fees and other general corporate expenses. Professional fees for the three-months ended February 29, 2008 were \$157,291, compared to \$28,519 for the comparable period in 2007. Legal fees related to on-going client contracts work and the Abanco lawsuit accounted for the majority of the increase. Premises rent expense was \$32,767 for the three-months ended February 29, 2008, compared to \$9,025 for the three-month period ended February 28, 2007.

Stock based compensation costs increased to \$52,686 for the three-month period ended February 29, 2008 from \$8,867 in the comparable period in 2007, with the increase resulting primarily from options granted to staff subsequent to February 28, 2007.

Amortization of capital assets deployed recognizes the cost of the point-of-sale hand held devices deployed to clients against the transaction based revenues earned from those clients. The amortization cost is recognized over the initial term of the contract which is usually three years. Amortization of capital assets deployed during the three-month period ended February 29, 2008 was \$473,734, compared to \$306,890 for the three-month period ended February 28, 2007. The increase is a result of having more clients under contract in the period.

During the three-months ended February 29, 2008 amortization of property and equipment was \$2,925. In the three-months ended February 28, 2007, amortization of property and equipment was nil.

Other income/expense

Other income/(expense) is comprised primarily of reimbursable expenses related to non-core activities performed by GuestLogix for its customers. During the three-months ended February 29, 2008 and February 28, 2007, other income was \$nil and \$15,544 respectively

GuestLogix is subject to currency risk through its sales in the United States and Europe. Unfavorable changes in the exchange rate may adversely affect its operating results. GuestLogix does not currently use derivative instruments or foreign currency contracts to reduce its exposure to foreign currency risk. Foreign exchange gain/(loss) for the three-months ended February 29, 2008 and February 28, 2007 was \$22,255 and \$(52,046) respectively.

Interest income is comprised primarily of interest earned from the investing of GuestLogix' cash and restricted cash. During the three-months ended February 29, 2008, interest income increased to \$64,345 compared to \$14,001 in the same three-month period in 2007. The increase in interest income is due to GuestLogix having significantly higher cash balances upon which the Company earned interest after completion of the subscription receipts offering in May 2007.

Interest expense is comprised primarily of interest paid and accrued on various debt obligations of GuestLogix, and includes interest on capital leases, loans from shareholders and third parties. During the three-months ended February 29, 2008, interest expense was \$66,760, compared to \$122,731 in the comparable period in 2007. The decrease in interest expense in the three-months ended February 29, 2008, compared

to the same period in 2007, is due to a reduction in shareholder loans outstanding due to conversions of debt as a result of the going public transactions and further conversions in the fall of 2007.

Interest accretion expense is comprised of charges taken by GuestLogix to accrete the fair market value of certain convertible and debt obligations with equity participation features up to their face value up until their maturity date. During the three-months ended February 29, 2008, accretion expense decreased to \$92,859 from \$550,026 in the three-month comparable period in 2007, as a result of the shareholder loan conversions in the fall of 2007, prior to the year end.

The net loss for the three-month period ended February 29, 2008 decreased 33.5% to \$540,904 or \$0.01 per share from \$813,668 or \$0.03 per share in the comparable three-month period in 2007.

Liquidity and financial resources

GuestLogix' principle sources of liquidity are cash provided from operations, by the issuance of debt, equity and equity-related instruments.

As at February 29, 2008 and November 30, 2007, GuestLogix had cash totaling \$3,777,945 and \$5,989,024 respectively, a decline of \$2,211,079. The drop in cash was primarily as a result of GuestLogix funding from its working capital the deployment of hand-held point-of-sale devices during the first quarter for an aggregate amount of \$2,252,000. Subsequent to the period end GuestLogix has been successful in arranging loan and lease facilities to fund these and certain other future anticipated deployments.

In the three-month period ended February 29, 2008 and the comparable three-month period in 2007, cash used in operating activities was \$879,431 and \$319,937 respectively. Cash used in operating activities in the three-months ended February 29, 2008 was primarily the result of operating losses, and increases in accounts receivable and deferred charges and a pay-down of accounts payable, partially offset by the receipt of refundable tax credits from the Scientific Research and Experimental Development program.

In the three-months ended February 29, 2008 and the comparable three-month period in 2007, cash used in financing activities was \$224,390 and \$245,173 respectively. Cash used in financing activities in the three-month period ended February 29, 2008 was primarily as a result of payments made under the capital leases for the hand-held devices, offset by small inflows as a result of the exercise of warrants and options. In the three-months ended February 28, 2007 the cash used in financing activities was as a result of the capital lease payments and the repayments of a note payable to a supplier, offset by proceeds of \$110,000 received from a small equity issue in December 2006.

In the three-months ended February 29, 2008 and the comparable three-month period in 2007, cash generated by/(used in) investing activities was \$(1,105,134) and \$230,133 respectively. Cash used in investing activities in the three-months ended February 29, 2008 was primarily from the purchase of the point-of-sale payment devices and the development loan advance to our devices supplier, which were partially offset by payment receipts on sales-type leases. Cash generated by investing activities in the three-

months ended February 28, 2007 was as a result of payment receipts on sales-type leases offset partially by the purchase of equipment for customer deployment of point-of-sale devices and additions to property and equipment.

GuestLogix' principle sources of liquidity going forward are expected to be cash provided by revenues and the issuance of debt to finance the point-of-sale hand held devices deployed as part of its software platform solution.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended February 29, 2008 as prepared in accordance with GAAP. The information has been derived from our unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the years ended November 30, 2007 and 2006 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented.

	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	\$1,403,857	\$1,577,825	\$1,455,755	\$1,725,122	\$671,452	\$562,464	\$225,187	\$145,175
Net Loss	(540,904)	(1,051,301)	(1,178,091)	(677,423)	(813,668)	(828,374)	(769,693)	(405,625)
Loss Per Share Basic and Diluted	(\$0.1)	(\$0.02)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)

Summary of Contractual Obligations

GuestLogix' contractual obligations include debentures and notes payable, capital leases for point-of-sale payment devices, and operating leases for office premises and certain hardware. Total contractual obligations are as follows:

	Total	Balance of 2008	2009 – 2010	2011 – 2012	After 2012
Notes payable	\$675,133	\$675,133	\$ -	\$ -	\$-
Capital Leases	1,493,443	770,182	723,261		-
Operating Leases	1,083,652	196,702	486,041	331,006	69,903
Total contractual obligations	3,252,228	1,642,017	1,209,302	331,006	69,903

Management is of the opinion that its cash flow and financing facilities and relationships provides GuestLogix with sufficient resources to finance ongoing business requirements and its planned capital expenditure program. Additional details concerning financing are set out in the notes to the GuestLogix financial statements.

Capital Resources

GuestLogix does not expect to make significant capital expenditures in the near future; however, GuestLogix does intend to enter into capital leases on an ongoing basis to finance the acquisition of point-of-sale payment devices for customer deployment. GuestLogix has invested in and developed an information systems infrastructure that will scale to meet the majority of its anticipated market requirements.

Off Balance Sheet Arrangements

Other than as disclosed in the table under Contractual Obligations above, GuestLogix did not enter into any off-balance sheet arrangements during the three-months ended February 29, 2008.

Proposed Transactions

GuestLogix does not have any proposed transactions to discuss at this time.

Transactions with Related Parties

Transactions between the Company and its shareholders and other related parties are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Certain executives are compensated through management service agreements. These agreements entitle these individuals to a fixed monthly payment and reimbursement of reasonable out-of-pocket expenses. During the three-month period ended February 29, 2008, the Company incurred costs of \$99,500, compared to \$67,500 in the comparable three-month period in 2007 relating to these agreements.

Segmented Information and Economic Dependence

The Company manages its operations in one business segment, which is providing proprietary transaction-based on-board retail software solutions for the passenger travel industry. All significant property and equipment are located in Canada.

During the three-months ended February 29, 2008, \$1,001,046 (February 28, 2007 - \$600,991) of the Company's revenue was derived from North America, while the remainder of \$402,835 (February 28, 2007 - \$70,461) was derived from Europe.

During the three-months ended February 29, 2008 three customers accounted for over 78% of the total revenue (2007 - six for 100%).

Share Capital

As at February 29, 2008, GuestLogix had issued and outstanding 48,051,970 common shares.

Contingencies

Contingent consideration of up to U.S. \$200,000 is payable under the terms of a note payable subject to the Company achieving certain conditions at August 12, 2008, or at any time prior to that date if triggered by a liquidation event as defined in the note payable. Management determined that as at August 31, 2007, it was feasible that the conditions may be met, and as a result, additional contingent consideration of \$100,000 (U.S. \$100,000) has been recorded.

In December 2006, a complaint was filed against the Company in the United States. The plaintiff is seeking compensatory damages of U.S. \$150,000 together with punitive damages in an unspecified amount. The plaintiff has also undertaken an action against American Airlines. GuestLogix may be required to indemnify American Airlines. The Company believes this complaint is without merit and will defend itself in the normal course. While the outcome of the above claim is not determinable, no amount relating to this matter has been accrued in the consolidated financial statements.

Subsequent Event

GuestLogix signed a multi-year contract with a U.S. airline and expects to complete the deployment in late summer. GuestLogix does not expect to recognize revenue on this contract until deployment is complete, but believes the long-term opportunity to be material. The customer involved cannot be named at this time, but the Company expects to announce additional details of the agreement upon full deployment.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Internal Control over Financial Reporting

As a public company, management will be responsible for certifying the design of the Resulting Issuer's internal control over financial reporting as required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized

acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Segregation of Duties

Certain duties within GuestLogix' accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. None of the segregation of duty deficiencies has resulted in a misstatement to the consolidated interim financial statements. However, these deficiencies may be considered a material weakness resulting in a more than remote likelihood that a material misstatement of GuestLogix's annual or interim consolidated financial statements would not be prevented or detected.

As GuestLogix incurs future growth, management plans to expand the number of individuals involved in the accounting function. At the present time, the Chief Executive Officer and Chief Financial Officer oversee all material transactions and related accounting records. In addition, going forward, the Audit Committee of the Resulting Issuer will review on a quarterly basis the consolidated interim financial statements and key risks of the Resulting Issuer and will query management about significant transactions, and there will be daily oversight by the senior management of GuestLogix.

Complex and Non-routine Transactions

As required, GuestLogix records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of Generally Accepted Accounting Principles ("GAAP"). GuestLogix' accounting staff has only a fair and reasonable knowledge of the rules related to GAAP and reporting and the transactions may not be recorded correctly, potentially resulting in material misstatement of the consolidated financial statements of GuestLogix.

To address this risk, going forward, the GuestLogix will consult with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee of GuestLogix for its review and approval. During reviews and audits, material misstatements detected will be corrected by GuestLogix. As the GuestLogix incurs future growth, management plans to expand the technical competence of the individuals involved in the accounting function.

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of February 29, 2008. Management has concluded that, as of February 29, 2008, the disclosure controls and procedures were

effective to provide reasonable assurance that material information relating to the Company would be known to them, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal controls over financial reporting over the three-month period ending February 29, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting.

Financial Instruments and Other Instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash, receivables, investment tax credit receivable, accounts payable and accrued liabilities, capital lease obligations, notes payable, convertible debentures and loans from shareholders. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values.

GuestLogix may undertake sales and purchase transactions in foreign currencies, and therefore it is subject to gains or losses due to fluctuations in foreign currencies. GuestLogix does not use derivative instruments to minimize its exposure to foreign currency risks.

GuestLogix is exposed to market risks relating to:

Foreign exchange

GuestLogix is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian Dollar. The majority of GuestLogix' revenues are transacted in U.S. Dollars and Euros. Purchases of equipment required to deliver on GuestLogix' contracts are primarily transacted in U.S. Dollars. Other expenses, consisting of the majority of salaries and certain operating costs, are incurred primarily in Canadian Dollars other than fees paid to various sales agents which are transacted in U.S. Dollars and Sterling.

GuestLogix does not use derivative instruments to hedge against foreign exchange risk.

Interest rate

Restricted cash is invested in certain instruments of varying maturities. Consequently, GuestLogix is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. GuestLogix does not use interest rate derivative financial instruments in its investment portfolio.

Credit and customer concentration

GuestLogix is currently dependant on a limited number of large customers in Europe and the Americas. As GuestLogix expands its offering and increases distribution of its products, management anticipates the dependency on these customers to decrease.

Recently Adopted Pronouncements

Financial instruments

Section 1530 establishes standards for reporting and presenting comprehensive income, which is the change in equity from transactions and other events during a period from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with GAAP. The adoption of Section 1530 did not have a material effect on the Company's consolidated financial position and results of operations for the fiscal year end November 30, 2007 and the period ended February 29, 2008.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and specifies the information that should be disclosed about them. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same periods as those related to the hedged items. The adoption of Section 1530 did not have a material effect on the Company's consolidated financial position and results of operations for the fiscal year end November 30, 2007 and the period ended February 29, 2008.

Section 3855 defines the terms "financial instrument", "financial asset" and "financial liability". Under Section 3855, financial assets must be classified into one of four categories: held-for-trading, held to-maturity, loans and receivables and available-for-sale; financial liabilities must be classified into one of two categories: held-for-trading and other financial liabilities. (Capital lease receivables and obligations do not meet the scope of section 3855, except for the Sections derecognition and impairment standards.) All derivative instruments, including those that are embedded in, but not closely related to, another contract must be classified as held for trading. All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Under the adoption of these new standards, the Company designated restricted cash as held-for-trading, which is measured at fair value. Accounts receivable and net finance receivable are classified as loans and receivables, which are measured at

amortized cost. Accounts payable and accrued liabilities, obligations under capital lease, notes payable, loans from shareholders, and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these standards resulted in the decrease of \$507,814 in the fair value of various convertible debt instruments on December 1, 2006 and a corresponding decrease in the deficit of the Company. This decrease in the fair value of the convertible debt will result in increased accretion charges in future periods such that the fair value of the debt will equal its face value at maturity.

Non-monetary transactions

Effective January 1, 2006, the Company adopted CICA Handbook Section 3831, *Non-monetary Transactions*. This standard requires all non-monetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations at November 30, 2007 or the three-month period ended February 29, 2008.

Cash flow statements

In March 2007, the CICA amended Handbook Section 1540, *Cash Flow Statements* ("Section 1540"). Paragraph 1540.55 was amended such that cash distributions on financial instruments classified as equity, and where the distributions are determined in accordance with a contractual agreement or relevant constating documents, now require disclosure of the extent to which distributions are non-discretionary. The adoption of this amended standard did not have a material impact on the Company's consolidated financial position and results of operations at November 30, 2007 or the three month period ended February 29, 2008.

General standards of financial statement presentation

In June 2007, the CICA added paragraphs to Handbook Section 1400, *General Standards of Financial Statement Presentation* ('Section 1400') to include new requirements regarding an entity's ability to continue as a going concern. The additions to Section 1400 apply to interim and annual financial statements relating to the fiscal year beginning on or after January 1, 2008. Earlier adoption is encouraged. The adoption of this amended standard did not have a material impact on the Company's consolidated financial position and results of operations at November 30, 2007 or the three-month period ended February 29, 2008.

Inventories

In June 2007, the CICA issued Handbook Section 3031 *Inventories* ('Section 3031'). This Section supersedes Handbook Section 3030 *Inventories* and is based on International Financial Reporting Standard IAS 2 'Inventories'. The Section prescribes the accounting treatment for inventories and applies to interim and annual financial

statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The Company is currently evaluating the impact of this standard on its financial position, results of operations and cash flows. The Company does not anticipate that the application of this section will have a material effect on its financial position and results of operations.

Financial instruments – disclosures and presentation

In December 2006, the CICA issued Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These two new sections replace Section 3861, *Financial Instruments – Disclosure and Presentation*, which was adopted by the Company in fiscal 2007. Section 3862 includes a complete set of disclosure requirements for financial instruments that revise and enhance the disclosure requirements in Section 3861. Section 3863 contains the standards for presentation of financial instruments and non-financial derivatives and is essentially consistent with the presentation requirements currently found in Section 3861. These two new sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of these standards did not have a material effect on the Company's consolidated financial position or results of operations for the fiscal period ended February 29, 2008.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, *Capital Disclosures*. This new guidance establishes standards for disclosing information about an entity's capital and how it is managed. This section requires the disclosure of an entity's objectives, policies and processes for managing capital and information regarding an entity's compliance or non-compliance with any capital requirements. Section 1535 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This standard affects disclosure only. See note 20.

Goodwill and intangible assets

In January 2008, the CICA issued Handbook section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard will apply to the Company's interim and annual financial statements beginning December 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on the Company's consolidated financial statements.

Risks and Uncertainties

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties. An investment in GuestLogix common shares is speculative and involves a high degree of risk and uncertainty. Such risks relate to and include, without limitation: its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees, its internal controls, its ability to develop new technology, the Company's limited operating history and evolving business model.

As an emerging company with clients located globally, GuestLogix faces a number of economic risks and business uncertainties. Today we have clients in Canada, the United States, Europe, Africa and Asia. Factors such as foreign exchange rates, consumer spending, global warming and the passenger travel industry impact on the environment, interest rates, business and government investment and spending, the rate of inflation and threats of terrorism affect the business and economic environments in which our clients operate and are largely out of our control.

Our consolidated financial statements are expressed in Canadian dollars, but a portion of our business is conducted in other currencies. Changes in the exchange rates for these other currencies can increase or decrease our revenues, expenses, earnings and the carrying value of assets or liabilities in our balance sheet. Our largest exposure is to the US dollar, where we have a partial natural hedge as the manufacturer of the hand held device and peripherals prices their products in US dollars. We do not use derivative instruments to hedge our currency exposure.

GuestLogix faces risks which are inherent in the business such as its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees and its ability to develop and deploy new technology.

Other risks faced by GuestLogix are related to the segment of the passenger travel industry in which it operates. There is intense competition between airlines which could prevent GuestLogix from increasing its sales in the near and longer term. To mitigate this particular risk a focus for 2008 is to penetrate the passenger rail travel industry in Europe. We were successful in closing one rail customer in the United Kingdom, which will be deployed in the second quarter of 2008.

A fuller description of these and other risks and uncertainties that you should carefully consider are detailed in our filing statement filed on July 24, 2007 with the Canadian securities regulatory authorities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks as described in our filings occur, our business, financial condition, liquidity or results of operations could be materially harmed.

Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com.